

## Chairman's Statement

### BUSINESS PROSPECT

For the year ended June 2003, the Group has undergone another year of shake-up of the Group's investment portfolio and has gone through stages for the development and commercialization of the Company's core business, DNA products. As one of the leading management of the Group, I have a compelling responsibility to utilize the limited resources and to maximize the return. Over the years, the Group was trying to keep abreast of or even stay ahead of the macro-economic evolutions by introducing investment projects in areas of hi-tech industries and of biotechnology industries.

It was to my great disappointment that these projects were not able to contribute the Group any profitable returns. Nevertheless I do believe the failure to deliver returns to the Company by these discarded projects was not wrong with their product by itself, instead these investment projects will make contribution to the Group in the long run but just at the wrong timing.

While streamlining the Company's limited resources, we concentrate on the development and commercialization of DNA products. A joint-effort announcement was made on the 8th of March 2003 with Agricultural Bank of China (the "ABC") to signify the official launch of the DNA products on cards issued by the ABC. Unlike the DNA products offered in Hong Kong, the services offered is more flexible and more secure. The subscribers can choose either authorization on payment or alerting the account holders after the payment was made, or both. The subscribers who are account holders can have a peace of mind that no unauthorized payment would ever be made out of their accounts. Given the fact that there is not much perfect method to prevent card fraud or unauthorized withdrawal, the DNA products are surely one of their solutions. With the launch of the products in March 2003, the ABC will supply this DNA services to their customers on subscription basis. It will be started in the province of Guangdong where there are approximately 2,700 outlets issuing few million bankcards both credit or debit cards. In September 2003, we have started negotiation with ABC's head office in Beijing to

launch the project nationally for their credit card users. The response from the ABC head office is encouraging so far.

Another break-through on the commercialization of the DNA products is the signing of an agreement with Shenzhen Development Bank Company Limited (the "SZDB"). The SZDB is one of the national banks with nation-wide presence. The system installed shall serve all their branches in China. It is expected that the product shall be launched in middle of November 2003.

Building on the platform of DNA security, the company has developed a comprehensive range of electronic payment services named DNAPAY. DNAPAY enables all forms of electronic payment using mobile phone including person-to-person fund transfer, recharging of all forms of IC cards including prepaid SIM card for mobile phone and unique Bill Payment services etc. to expand our scope of business. Talks with other banks, national or provincial, has never stopped and it is the intention of the management that DNA products becomes the most sophisticated security system for banks and by its own name stands for security and confidence for account holders.

The board believes that this product will have a huge market potential in the PRC since the card business in the mainland China has just taken its hike. Statistic shows that there are 438 million cards being used as at June 2002. With the accession of WTO and with the hosting of Olympic event in 2008, economic growth is expected to increase in real terms. Consequently the whole consumption confidence will also be boosted and the number of transactions by cards is also expected to increase in multiple. We on the other hand do not overlook the market of Hong Kong and other overseas places. A steering committee has been set up jointly with a telecommunication company to explore the opportunity of offering electronic payment service to Chinese visitors in Hong Kong to capture business opportunity arising from the recent policy change in China to allow application of entry visa to Hong Kong by individual in selected provinces and cities. The Company will announce the progress of this project in due course.